

COMMUNITY DEVELOPMENT COMMISSION

County of Los Angeles

2 Coral Circle • Monterey Park, CA 91755 323.890.7001 • www.lacdc.org Gloria Molina Yvonne Brathwaite Burke Zev Yaroslavsky Don Knabe Michael D. Antonovich

Commissioners

Carlos Jackson
Executive Director

November 30, 2004

Honorable Board of Supervisors County of Los Angeles 383 Kenneth Hahn Hall of Administration 500 West Temple Street Los Angeles, California 90012

Honorable Board of Commissioners Community Development Commission County of Los Angeles 383 Kenneth Hahn Hall of Administration 500 West Temple Street Los Angeles, California 90012

Dear Supervisors and Commissioners:

AUTHORIZE THE SUBMISSION OF A SECTION 108 LOAN GUARANTEE APPLICATION FOR THE CITY OF COMMERCE (1) (3 Vote)

IT IS RECOMMENDED THAT THE BOARD OF SUPERVISORS:

1. Approve the submission of a Section 108 Loan Guarantee Application by the County of Los Angeles to HUD to receive \$10,000,000 in Section 108 Loan funds for the purpose of assisting the City of Commerce to finance property acquisition and construction of improvements to the Commerce Industrial Center, located at 4000 Noakes Street in the City of Commerce.

- 2. Authorize the Executive Director of the Community Development Commission, acting as agent of the County, to submit a Section 108 Loan Application to HUD, and to take any other HUD-required actions necessary to complete the application.
- 3. Authorize the Executive Director, acting as agent of the County and following HUD approval of the Section 108 Loan Guarantee Application, to execute a Contract for Loan Guarantee Assistance, following approval as to form by County Counsel, and all related documents, and to take all HUD-required actions to receive the loan funds.

IT IS RECOMMENDED THAT THE BOARD OF COMMISSIONERS OF THE COMMUNITY DEVELOPMENT COMMISSION:

Authorize the Executive Director of the Community Development Commission, following approval by the U.S. Department of Housing and Urban Development (HUD), to receive from the County of Los Angeles \$10,000,000 in Section 108 Loan proceeds awarded to the County by HUD, for the purposes of assisting the City of Commerce to finance property acquisition and construction improvements to the Commerce Industrial Center, located at 4000 Noakes Street in the City of Commerce; and authorize the Executive Director to incorporate the loan funds into the Commission's approved Fiscal Year 2004-2005 budget.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION:

The proposed loan application will enable the City of Commerce to obtain funds from HUD to assist in financing improvements at the Commerce Industrial Center.

FISCAL IMPACT/FINANCING:

There is no impact on the County general fund. Following approval by HUD, the Commission will incorporate \$10,000,000 in Section 108 loan funds into the approved Fiscal Year 2004-2005 budget, for the purpose of administering the loan proceeds.

On October 12, 2004, your Board approved the submittal of an Economic Development Initiative (EDI) grant application to HUD. The EDI grant regulations require that Section 108 loan proceeds be used in conjunction with the EDI grant. The loan and grant proceeds will enable the City of Commerce to assist with improvements to the Commerce Industrial Center.

The \$10,000,000 Section 108 loan will be used to finance site acquisition and construction improvements. The loan proceeds will leverage approximately \$16,000,000 in developer equity and private funds. Upon approval of the loan

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application by HUD, the Commission will execute a Contract for Loan Guarantee Assistance and other documents, as required by HUD, to receive the funds. The Commission, as agent of the County, will serve as administrator of the loan proceeds.

The Commission will loan the funds to the City of Commerce in order to provide the funds as a loan to the developer. The Commission will return to the Board at a later date to request approval of the loan structure, and the loan documents with the City of Commerce and the developer.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

The City of Commerce City Council approved the submittal of the Section 108 loan application to HUD on July 6, 2004. The proposed project involves the provision of financial assistance through the City of Commerce to DART Entities, a warehousing, food processing, and distribution business. DART facilities are situated within Commerce Industrial Center, located at 4000 Noakes Street in the City of Commerce. The proposed improvements will consist of three components, including property acquisition and construction of new buildings for the expansion of DART's operations within Commerce Industrial Center.

The first component of the project is the acquisition of an existing 175,000 square foot building adjacent to DART facilities. The acquisition of the existing building will retain approximately 400 full time equivalent jobs that would have been lost due to the planned relocation by the current occupant to outside of the Los Angeles area. The second component will consist of the construction of a new 72,000 square foot refrigerated food processing building within DART facilities, which will be leased to a major seafood manufacturer. The third component of the project will consist of property acquisition to develop a second refrigerated building of approximately 72,000 square feet. DART is currently in discussions with food manufacturers for the leasing of this facility.

It is estimated that approximately 700 jobs will be created between the two new buildings, principally for low- and moderate-income residents of the County. The proposed project will enable the City to retain existing jobs, and stimulate its overall economy through recruitment of new businesses and creation of new employment opportunities for low-and moderate-income persons.

Pursuant to a public notice advertised in the Los Angeles Times, the City of Commerce convened a public hearing on July 6, 2004, at its City Council Chambers at 5655 Jillson Street, regarding the proposed Section 108 loan application, as required under HUD regulations. No verbal or written public comments were received regarding this project.

The Commission also published a public notice on October 6, 2004, in the Los Angeles Times requesting comments on the Section 108 loan application. No verbal or written public comments were received as well.

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The Section 108 loan application is attached. County Counsel has reviewed this letter.

ENVIRONMENTAL DOCUMENTATION:

The submission to HUD of a Section 108 loan application is exempt from the provisions of the National Environmental Policy Act (NEPA), pursuant to 24 Code of Federal Regulations Part 58, Section 58.34(a)(3) because it involves administrative activities that will not have a physical impact or result in any physical changes to the environment. The action is not subject to the provisions of CEQA pursuant to State CEQA Guidelines 15060(c)(3) because the activity is not defined as a project under CEQA and does not have the potential for causing a significant effect on the environment. Following HUD's approval on the requested funds, the Commission will return to the Board at a later date to request approval of the necessary environmental documentation.

IMPACT ON PROJECT:

The activities contained in the application will benefit low- and moderate-income residents of the County through job creation and retention.

Respectfully submitted,

CARLOS JACKSON Executive Director

Attachments: 1

COUNTY OF LOS ANGELES/CITY OF COMMERCE SECTION 108 LOAN GUARANTEE FOR THE DART DEVELOPMENT PROJECT

LOAN REQUEST

The County of Los Angeles (County), on behalf of the City of Commerce, is requesting \$10 million in Section 108 Loan Guarantee funds to assist with the expansion of DART Entities, Inc. facilities within the Commerce Industrial Center. The County, on behalf of the City of Commerce, is concurrently submitting an amendment to Economic Development Initiative (EDI) Grant No. B-98-ED-06-0042 for \$1 million for the same project. The EDI was conditionally approved in 2000 by the U.S. Department of Housing and Urban Development (HUD) for use on another project that subsequently was unable to proceed. The requested EDI grant and Section 108 loan funds are the final gap in the resources needed to complete the DART expansion project. The Section 108 funds will be used specifically for property acquisition and construction costs related to the proposed expansion at the DART Entities facility in the City of Commerce. The EDI funds will be used to pay the initial interest expense on the Section 108 loan for the first two years. The amended EDI application is included as an attachment and is provided as an additional resource document.

The \$10 million in Section 108 funds will be loaned to Dedeaux Properties, a subsidiary of DART Entities. The repayment source will come from the lease payments made by the tenants of DART Entities who will occupy the acquired site and the improved site. The projected lease payments total \$2.4 million annually, substantially greater than the annual debt service on the Section 108 loan, currently estimated at \$908,000, at 6% interest rate, principal amortized over 18 years. The loan funds used to partially purchase an existing building will generate income immediately, but the new buildings must be constructed and occupied before income will be received. For that reason, the \$1 million of EDI funds will be used to pay a substantial portion of the interest during the first two years of the loan. The Section 108 loan will be structured as interest only during the first two years, with the principal repaid over the remaining 18 years of the 20-year term. The City of Commerce has no Section 108 loans outstanding. Attached is a schedule that shows the proposed repayment of the \$10 million Section 108 Loan. The interest rate used for the repayment schedule is 6%, which is slightly above the 20 year average on the last Public Offering on June 30, 2004. The City's long-term bond rating is BBB. DART Entities will provide a First Deed of Trust on the acquired property and buildings that they are constructing, as collateral for the Section 108 loan. The County will underwrite the loan to ensure the loan to value ratios do not exceed the 80% cap on the proposed collateral.

ACTIVITY ELIGIBILITY AND NATIONAL OBJECTIVE

The proposed project meets the CDBG program national objective outlined at 24 CFR 570.208

(a)(4)(i)(ii), Activities benefiting - low and moderate income persons, specifically through Job creation and retention activities. The proposed project will create a minimum of 700 new full time equivalent (FTE) jobs and retain 400 FTE jobs, primarily for low and moderate-income persons. The City of Commerce intends to ensure, through proper monitoring, that at least 51% of all permanent jobs will be made available to and filled by persons of low and moderate income. In addition to meeting the above-referenced national objective criteria, the project will also meet the eligible activity criteria outlined in 24 CFR 570.703(i)(l), Special Economic Development Activities, specifically the acquisition of real property and construction of improvements (refrigerated food processing building).

Since this project is eligible under 570.703(i)(1), the project is subject to Public Benefit requirements under 570.209. The project meets the Public Benefit requirements as follows: \$11,000,000 in Section 108 loan funds and EDI grant funds divided by the 1,100 jobs created and retained yield a ratio of \$10,000 of Section 108 loans funds per job created and retained. This ratio is well below the \$35,000 per job limit.

Pursuant to Appendix A to Part 570, <u>Guidelines and objectives for evaluating project costs and financial requirements</u>, the County, the City and its financial consultants will continue to underwrite the project. The underwriting criteria used substantially follows the elements set forth in the HUD underwriting guidelines. Through its own professional staff and financial consultants, the City has completed similar projects in the past. The Rating Factor Number 4 under the attached EDI application provides additional information and proforma numbers on the underwriting undertaken on the project.

PREDEVELOPMENT COSTS

As part of this Section 108 application and pursuant to Section 570.200(h), the City is also requesting authority to incur predevelopment costs for reimbursement for property acquisition as soon as the Request for Release of Funds has been approved. The project will be included in the County's 2004-2005 Consolidated Plan as required under Section 570.200(h).

PROJECT DESCRIPTION

The development project to be assisted by the Section 108 and EDI funds includes construction of a new 72,000 square foot custom refrigerated food processing building on property owned by DART Entities. This refrigerated food processing building will be leased to a major seafood manufacturer in Southern California. The projected costs, including the land, are \$9.9 million. The second project component includes the purchase of an existing 175,000 square foot building currently owned by a paper products manufacturing company for approximately \$6,250,000. The building will then be leased back to the same company; the sale of the property will provide the company with needed capital for expansion of

their paper products manufacturing activities at the site. That business has provided the City with a letter indicating that they would need to locate out of the Los Angeles area to accommodate their expansion needs were it not for our project to purchase and lease back their building. The third component of the proposed project will be the acquisition of an adjacent 90,000 square feet of property on which a second 72,000 square foot custom refrigerated food processing building will be constructed and leased. This project component will include the relocation of 3 business, 2 single family and 5 rental properties. While the site is immediate adjacent to the DART facilities, the property is located in the unincorporated area of the Los Angeles County. That construction will follow upon the completion of the seafood processing building and acquisition of the paper products building. DART is currently in discussions with food manufacturers for that facility. DART is expected to spend an estimated \$9.8 million on this third component. Attachment C is a map showing the project locations.

As part of the underwriting process, the City has determined that the \$10 million in Section 108 loan funds are best used for 80% of the purchase price of the building (\$5 million) from the paper products manufacturer, with the balance (\$5 million) going towards a portion of the construction costs for the sea food processing building. No Section 108 or EDI funds will be used for the third project component.

DART Entities started in 1938 with one truck, driven by father and son. It now operates approximately 10 million square feet of warehousing, distribution, food processing and cold storage space, of which four million square feet approximately is owned by DART entities. In the last five years DART Warehousing, one of its divisions, has developed and owns three buildings in the City of Ontario of 230,000, 824,000 and 325,000 square feet respectively; four in the City of Los Angeles of 200,000, 117,000, 50,000 and 70,000 square feet respectively; and one in Naperville, Illinois of 721,500 square feet that houses the most sophisticated materials handling equipment in the industry. The DART companies provide a variety of services including catalog fulfillment, transportation, third party logistics, equipment leasing and warehousing, with facilities in California, Illinois, Indiana, Colorado, Texas and Georgia. In addition to the building operations, sister company DART INTERNTIONAL, operates a fleet of 1,300 trucks. Within all the affiliated companies of DART Entities, it has 750 employees. Dedeaux Properties, a subsidiary of DART Entities, will be the subrecipient of the Section 108 funds.

The following is the proposed project development schedule:

	Start	Complete
Agreement on sale of paper products manufacturing property	Dec 2004	Jan 2004
Construction of sea food refrigerated processing facility	Jan 2005	Oct 2005
Construction of second cold food processing facility	Nov 2005	July 2006

With the provision of the EDI grants and the Section 108 loan funds to DART Entities, two new buildings and the acquisition of an existing building will create a projected 700 new jobs and retain 400 jobs that would be lost were DART not able to obtain financing for this project.

The project site is located in Zip Code 90023. Attachment C includes a parcel map of the project sites showing the location of the current DART facility, the location of the new construction, and the existing building to be acquired.

PROJECT BACKGROUND AND HISTORY

The businesses located in the City of Commerce have historically provided a significant number of jobs to not only city residents, but to individuals in the surrounding areas. In the past, a significant number of these jobs were in good paying manufacturing jobs. Over the years, these large employers have gone out of business or left the area, which has had a devastating economic impact on the City. In 1993, the City prepared an Economic Development Strategy and Marketing Plan. The study indicated a long-term economic decline for the City. "In 1960, Commerce had 80,000 jobs, in 1978, it had 65,000 jobs; in 1992, it has 47,700 jobs. From 1960 to 1978, the City lost 15,000 jobs, at an annual rate of 833 jobs over 15 years. From 1978 to 1992, the City lost 17,300 jobs. This is an annual loss of 1,235 jobs. . ". With the economic decline of the early and mid-nineties, Commerce inherited an increase in vacant and underutilized buildings. These buildings are just beginning to see a resurgence in use and expansion. DART is an example of companies looking to stay and expand within the City. With the economy still uncertain through the late nineties and with the transition of industrial development to the inland areas, businesses were hesitant to expand and new businesses were concerned about investment in central city urban areas. This sentiment has continued in both the industrial and commercial sectors.

The impact of the losses of employers and jobs was reflected in the 2000 census numbers. Based on the 2000 Census information, the poverty level for the target area was 28%, more than twice the national average of 12.38%, 17.9% Citywide and 17.9% Countywide. The unemployment level in the project target areas was 14%, again more than twice the national average of 5.77%, 13% for the City and 7.6% for the County. The per capita income in the target area was \$7,750 or only 36% of the national average of \$21,587. The per capita income was \$11,117, Citywide and \$20,683 Countywide. The 2000 census indicated that within the target area, 96.6% of the population was persons of Hispanic origin. This compares to 93.4% Citywide and 44.6% Countywide. Forty percent of the City's residents were foreign born, with 75% of the residents speaking Spanish, with 62% of these not speaking English, as compared to the County where only 35% of Spanish speakers are monolingual. One of the most significant circumstances that impacts the economic and social distress numbers is the level of education among the City residents. In the target area, 74.7% of the residents are without a high school diploma and are at least 18 years of age and older. This compares to the Citywide number of 54.2% and a Countywide

number of 30.1%. A combination of the percentage of non-speaking English persons, coupled with the high percentage of persons who have not graduated from high school, are reflected in the high poverty and unemployment numbers.

As the information in this application demonstrates, there is a great need for new jobs within the City. The proposed project is anticipated to generate 700 new FTE jobs, of which at least 51% of the jobs created will be filled by low and moderate income persons, in addition to the retention of 400 FTE jobs.

As noted above, the City has operated an Employment & Business Development Office (EBDO) for 24 years. EBDO was developed as part of an Urban Development Action Grant (UDAG) the City had received from HUD. The operation and benefits were so successful, the City has retained the operation over the years, and they have placed over 10,000 persons in jobs during that time. The EBDO is linked and has access to all Workforce Investment Act funded job training agencies, enabling them to provide specific job development training that may be required. The linkages include working closely with the State of California Employment Development Department, the Department of Public Social Services Southeast County Greater Avenues for Independence (GAIN) Program regarding participants in the Welfare-to-Work program. The EBDO and these agencies jointly conduct large job fairs. The City also participates with the Rio Hondo Community College in employment training programs. In the near future, the EBDO and the Small Business Development Center (SBDC) office currently located within the City will be located in one facility to facilitate access to its services.

To ensure that the developer and tenants meet their employment needs, the City will require them to have language in all of their lease agreements requiring that they work with EBDO for their hiring needs.

The proposed DART project meets the City's goals of retaining existing manufacturing business, attracting new manufacturers and the generation of new employment opportunities for area residents.

PROJECT COSTS AND USE OF SECTION 108 AND EDI FUNDS

The total project costs, including both private and public funds are estimated to be over \$28 million. Below is a Sources and Uses chart that shows the anticipated revenue sources and expenditure of the funds covering the project. The property acquisition/land costs are estimated to be \$10.1 million. Of this total, \$5 million of Section 108 funds will go towards a portion of the property acquisition costs for the existing building and \$5 million towards the construction of the sea foods processing facilities. The remainder of the project costs are being covered by DART equity (\$5,409,048 approximately) and debt (\$10,607,076 approximated). The EDI funds will be used to pay the first two years of interest payments on the Section 108 loan. This will allow sufficient time for the project to be completed and to start generating the lease revenues that will be used to repay the Section 108 loan. The Section 108 loan

repayment is structured for a 20 year repayment, with the first two years interest only, and the principal being repaid over 18 years. Attached is a Sources and Uses spreadsheet.

A summary of the sources and uses is as follows:

Source		<u>Use</u>
EDI	\$1,000,000	Two years interest payment on Section 108
Section 108	5,000,000	Property acquisition,
Section 108	5,000,000	Towards construction of sea food facility
DART Equity	2,180,484	Land contribution (Sea food site)
	1,250,000	Property acquisition (Existing building)
	340,000	Property Acquisition (Build-to-suit site)
	100,000	Relocation
	1,538,564	Construction
DART Debt	8,847,076	Construction
	1,360,000	Acquisition
	400,000	Relocation
Tenant Improvements	<u>1,000,000</u>	Furniture, fixtures and equipment
Total	\$28,016,124	

The use of the Section 108 funds for construction activities triggers Davis-Bacon and prevailing wage requirements

AVAILABILITY OF OTHER FUNDING SOURCES

Based on the current State budget and its impact on local jurisdictions, the City has no other funding resources available to assist the DART project. The DART project is a high priority for the City in order to retain a long time manufacturing firm and assist with the recruitment of two new manufacturing businesses, which will create and retain jobs as well as increase tax revenues.

CERTIFICATIONS AND ATTACHMENTS

The City Council of the City of Commerce conducted a public hearing on both EDI amendment and Section 108 at its meeting of July 6, 2004 to receive public views and comments on the submission of the Section 108 Application for the Commerce Industrial Center project. The Community Development Commission published a notice on October 6, 2004 to amend the County's Annual Action Plan to include the City of Commerce proposed project. No comments were received.

Attached are the City of Commerce Resolution on the EDI and Section 108, as well as the County Board of Supervisors action approving the Board Letter authorizing the submittal of the Section 108 loan application and certifications.

Attached are copies of the Proofs of Publication covering the Public Hearing Notices prepared by both the City of Commerce and the Community Development Commission of the County of Los Angeles relating to the Section 108.

Attachments

- A. Amendment to EDI Application
- B. Section 108 Repayment Schedule
- C. Project Location Map
- D. Sources & Uses Schedule
- E. City & County Resolutions
- F. Proof of Publications

H:\108FORMS\Commerce Section 108 Application.doc

Attachment A

Amended EDI Application

COUNTY OF LOS ANGELES & CITY OF COMMERCE

AMENDED ECONOMIC DEVELOPMENT INITIATIVE GRANT APPLICATION (B-98-ED-06-0042)

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COUNTY OF LOS ANGELES

Economic Development Initiative Grant Amendment Request B-98-ED-06-0042

NARRATIVE

The City of Commerce has endured economic shock waves over the last 20 years far more severe than those created during Southern California's earthquakes. This is a City that has been severely impacted by economic trends that were beyond its control.

In the late 1970's and early 1980's the City had a series of major plant closures. Those included U.S. Steel, Chrysler Corporation, B.F. Goodrich Tires, Uniroyal Tires and many smaller plants. During the same time the prestigious Fluor Corporation, one of the world's largest engineering firms, abandoned its headquarters in Commerce and built a new facility in Orange County. From 1978 through 1992, over 17,300 manufacturing jobs were lost as documented in the City's Economic Strategy and Marketing Plan prepared in 1992.

The City was barely recovering from the impact of the plant closures, when the California Recession from 1989 through 1995 took its toll on the City. That recession, the worst since the Great Depression, brought on a new wave of plant closures in the City, including the Lever Brothers plant in 1992. A great number of jobs were lost with an adverse impact on the community. With the economic decline of the early and mid-nineties, Commerce suffered an increase in vacant and underutilized buildings. These vacant buildings are just beginning to see resurgence in use and expansion. DART Entities is an example of companies looking to stay and expand within the City. With the economy still uncertain through the late nineties and with the transition of industrial development to the inland areas, businesses were hesitant to expand and new businesses were concerned about investment in central cities. This sentiment has continued in both the industrial and commercial sectors.

As might be expected, these economic shock waves had a devastating impact on a City of only 13,800 people. The City's tax revenues declined to an extent that critical services were strained. While Commerce will always primarily be an industrial City, it has striven to provide new and better housing, public facilities and services for its residents, of whom nearly 95% are minorities. The City has plans to diversify its tax base; however, those projects take time to implement. Meanwhile, the City is focusing on renewing its core industrial base.

The City's best opportunity to rebuild its industrial sector is the expansion of a business that has been loyal to Commerce for more than 60 years. DART Entities started in 1938 and has continually expanded its operations in Commerce, where it now has in excess of one million square feet and is the headquarters facility.

This proposed project to be assisted by a Section 108 loan and EDI funds includes the construction on property DART currently owns. The construction will consist of a new 72,000 square foot custom refrigerated food processing building that will be leased to a major seafood manufacturer in Southern California. The projected costs for the new building, including the land, are approximately \$9.9 million. DART will also purchase an existing 175,000 square foot building currently owned by a major paper products company for \$6,250,000. The acquired building will then be leased back to the paper products company in order to provide them with needed capital for expansion of their paper products manufacturing activities at the site. That firm has provided the City with a letter that they would need to locate out of the Los Angeles area to accommodate their expansion needs were it not for our program to purchase and lease back their building. The third component of the proposed project will be the acquisition of an adjacent 90,000 square feet of property on which a second 72,000 square foot custom

refrigerated food processing building will be constructed and leased. This property, while immediately adjacent to DART, is located in the unincorporated area of the County and will require the relocation of two existing business, two apartment buildings and two duplexes. That construction will follow upon the completion of the seafood processing building and acquisition of the paper products building. DART is currently in discussions with food manufacturers for that facility. DART is expected to spend an estimated \$9.9 million on that component. Between the two new buildings and the acquisition of an existing building will create a projected 700 new full time equivalent jobs and retain 400 jobs.

This EDI grant application meets all of the rating factors. Commerce is a very capable City. The City and its Redevelopment Agency have been instrumental in bringing 20 new projects to the community, including the retrofit or total clearance of all the six large closed manufacturing plants. The City participates in the Los Angeles Urban County Community Development Block Grant (CDBG) Program, which is the largest Urban County program in the nation.

Both the City and target area for this project have severe distress factors. For example, according to the 2000 Census, the unemployment rate was 14% in the target area and 13% for the City; both figures more than twice the national average of 5.77%. According to the 2000 Census data, the poverty rate for the target area was 28%, or more than twice the national average of 12.38%. The Citywide poverty rate was 17.9%. An indicative statistic of the poverty rate is that just under 74.7% of the population in the target area of 18 years and older in age, did not graduate from high school.

The proposed project is very sound due to the employment benefits it will provide to the City and the target area. The building being purchased ensures that a paper products manufacturer stays in Commerce with its 400 jobs; and the build to suit building for the seafood processing company provides a new facility for a leading and very substantial seafood processor in the Los Angeles area that will create jobs.

As part of the underwriting process, the City has determined that \$10,000,000 in Section 108 loan funds are best used for 80% of the purchase of the building from a paper products company and as a portion of the construction costs for the seafood processing building. The \$1 million of EDI funds will be used to pay the first two year's interest on the Section 108 loan. The leverage ratio between the Section 108 loan and EDI grant is 10 to 1. Additional private funds from DART Entities and the tenants (FF&E) total \$17 million. The leverage ratio of private funds to the EDI funds is 17 to 1.

The uses for the Section 108 and EDI funds meet the criteria under section 24 CFR 570.208 (a)(4)(i)(ii) – <u>Job creation and retention activities</u>. The eligible activities to be undertaken with the Section 108 funds are eligible under 24 CFR 570.703(i)(1) – <u>Special economic development activities</u>.

The effort to bring the proposed project to Commerce has been comprehensive and coordinated. As early as 1992 the City commissioned an Economic Strategy and Marketing Plan. Components of that plan evolved over the next eight years. The City and DART Entities have ensured to incorporate the appropriate partners to properly coordinate the implementation of this proposed project. The partners involved in this proposed project are ready to proceed with the implementation of the activities upon receiving the Section 108 loan funds and the EDI grant funds.

Commerce is striving to reverse the trend of losing manufacturing jobs, which has been the pattern for 30 years. This project accomplishes the above by retaining an important existing manufacturer and by bringing in a well-established manufacturer to create jobs in the community. The EDI grant funds and the Section 108 loan are critical to making the project a reality.

RATING FACTOR 1: CAPACITY OF APPLICANT

1. Capacity to Implement

The City of Commerce and its Redevelopment Agency have shown incredible capacity in implementing past projects. The City has qualified economic and redevelopment staff that has been fundamental in attracting projects to the City, given the challenges that face an industrial city.

The City has participated in the CDBG program through the Los Angeles Urban County CDBG program, (administered by the Community Development Commission of the County of Los Angeles (CDC)), since the inception of the program in 1974. The CDC is applying on behalf of the City for the EDI and Section 108 funds. The City's Current 2004/2005 CDBG program year allocation is \$218,771, which funds a variety of activities including public improvements, public service activities, and a commercial façade improvement program.

a. Performance in administering CDBG and other programs

The City has a record of effectively using its CDBG funds to fund a variety of activities for its residents. Participation in the Home Investment Partnerships (HOME) Program is also done through the CDC. The Redevelopment Agency also uses its 20% property tax increment housing set-aside funds to foster housing programs. Programs currently being carried out with the City's 20% property tax increment set aside funds include 60 units of affordable housing that include single family homes, duplexes, townhomes and subsidized apartments for physically handicapped. The City will commence construction on a 40 unit single family home project that will provide 12 units for low-and moderate-income first time homebuyers. With the implementation of the above projects, the City demonstrates it has sufficient experience and capacity to execute the propose project.

The County of Los Angeles, through the CDC, administers the largest Urban County CDBG Program in the nation. The CDC has extensive experience and capacity in administering over 1,200 CDBG funded activities annually, including housing, community development and economic development projects, throughout the unincorporated areas of the County, as well as 48 participating cities.

b. Previous experience with Section 108 program

The City has not previously utilized the Section 108 program. The CDC has funded nine Section 108 loans with cities participating in its Urban County program. The CDC has also participated in two Brownfields Economic Development Initiative grants (BEDI) and two EDI grants with participating Urban County cities. The CDC has successfully administered the Section 108 loans issued to date by remitting the loan payments to HUD on time, ensuring the funded projects meet all regulatory compliance, and maintaining the required supporting documentation on file. To date, HUD Los Angeles Area Office has monitored the CDC Section 108 loan program and no findings or deficiencies have been identified.

c. Performance and capacity in carrying out economic development project

It is fair to say that not many other cities in the nation the size of Commerce have as much experience and success in carrying out economic development projects. The experience goes back to the late 1970's and early 1980's when the City experienced the series of plant closures. Each site was either

retrofitted for a different use or the sites were "scraped" and redeveloped. Such was the case with the U.S. Steel, American Bridge Division 110 acre site. With the assistance of a \$6.9 million Urban Development Action Grant (UDAG) the site was demolished and is now a business park totaling over 2 million square feet. The UDAG funds, originally made as a loan to the developer, have been "recycled" twice for other key economic development projects. Other key sites were the Chrysler Plant, the B.F. Goodrich Tire site and the Uniroyal Tire site. The latter project was actually acquired by the City, which then facilitated the development of the Citadel complex, with a 146,690 square foot outlet mall, a Wyndham Hotel and office building. During the last recession, the complex went through some tough times and the City again stepped in and purchased it. The City completed negotiations with a new developer, who subsequently purchased the complex. The new developer has completed a Phase II expansion of 125,000 square feet of retail space in the outlet mall, which has resulted in the addition of name companies, including Starbucks and Van Heusen. A Phase III expansion of \$125,000 is planned during the next four years. The City has carried out no less than 20 redevelopment projects successfully. Retail sites have included the Home Depot and 33 national tenants at the Citadel. The City has also used EDA funding to assist in development projects.

The City is also embarking on the development of an additional 350,000 square foot retail center with a big box user, theater, and retail/restaurants. Several smaller retail developments, including the Washington-Atlantic Center have provided revitalization and infill development in deteriorated commercial corridors.

d. Ability to conduct prudent underwriting

Many projects implemented by the City have required prudent underwriting. As HUD is aware, the underwriting had to be detailed and complete in order for the City to secure UDAG funds for the U.S. Steel Plant. The same careful underwriting has continued for all the other projects. The underwriting process requires detailed evaluations of the total land assembly costs, including acquisition, relocation, the purchase of fixtures, the payment of goodwill under California law, demolition, site remediation and off-site improvements. With that completed, the developer must provide detailed development and operating proformas. The City staff, with the help of outside consultants, evaluates each aspect to determine that the cost and rents are in line with the Southern California market. With that evaluation completed, the economic gap is determined. The appropriate public assistance program is identified and then structured to meet the need.

Detailed underwriting occurred as the Redevelopment Agency negotiated the Citadel ground lease, the development of the outlet mall, the development of the Wyndham Hotel, the development of the office building at the Citadel complex, and the Home Depot development. In just the last few years economic development deals have been negotiated with American De Rosa Lamparts, Inc., Escon Door Company, Arthurmade Plastics, Inc., Gordon Brush Manufacturing Co. Inc., Ernest Paper Products, FileKeepers, ICI Paints, Smart & Final, Union Ice, and the Washington Atlantic Commercial Center.

The CDC, as part of its Section 108 loan activity and the Float Loan Program, has the expertise and experience in loan underwriting and use practices that are in compliance with HUD requirements. The CDC exercises prudent underwriting when reviewing the feasibility of the proposed project, stability of repayment and collateral sources. To date, the Section 108 loans issued by the CDC have performed financially well.

e. The capacity to service loans

As noted above, the UDAG funds were provided to the developer as a loan, secured by a promissory note and deed of trust. The loan was paid in full, and twice the City has used the UDAG funds. The City administers a housing assistance loan program on an ongoing basis, and the Redevelopment Agency has provided loans in three cases as economic incentives. All of the loans have been properly administered and are still being serviced. The CDC currently services all Section 108 loans issued to date, and all Section 108 loans are current. Within the past two years, three Section 108 loans have been paid in full as scheduled.

f. Capacity to carry out projects in a timely manner

All of the projects identified in subsection "d" above were carried out in a timely manner. The City works with potential new manufacturers or developers in a coordinated fashion, dealing with zoning and building issues, concurrently with the processing of approvals and plans. Since "time is money," the fast tracking of plans and approvals is provided as an important incentive to businesses. However, financial incentives have been used on many occasions. The mixed-use Citadel development project is a good example of a large development project that was carried out in a timely manner. From the time the ground lease was approved with the developer, the 146,960 retail portion of the project was opened 13 months later, with the 270,651 square of office buildings opening six months later, and the Wyndham Hotel completed eight months after that. The large mixed-use project was completed in a total of 28 months. Another example is the Home Depot project, which was developed within 18 months.

g. Management of funds in conjunction with an Empowerment Zone/Enterprise Community (EZ/EC).

The site is not within a HUD designated EZ or EC.

2. Previous EDI or BEDI experience

The City was awarded an EDI grant in 2000. The proposed retail and entertainment project has not been able to proceed, hence this amendment request. As noted above, the County has extensive experience with EDI funding including the award of two EDI and two BEDI grants for Urban County participating cities. With the exception of this EDI, the other EDI and BEDI projects are complete or in process.

3. Capacity of sub-recipients

The County is the applicant for the EDI and Section 108, on the behalf of the City. The City is the sub-recipient, but will loan the Section 108 funds to DART Entities for their expansion program in Commerce. The City will retain the EDI funds for the initial year's interest payments on the Section 108 loan.

DART Entities started in 1938 with one truck, driven by father and son. It now operates in approximately 10 million square feet of warehousing, distribution, food processing and cold storage space, of which about four million square feet it owns. In the last five years DART Warehousing, one of its divisions, has developed and owns three buildings in Ontario of 230,000, 824,000 and 325,000 square

feet respectively; four in Los Angeles of 200,000, 117,000, 50,000 and 70,000 square feet respectively and one in Naperville, Illinois of 721,500 square feet that houses the most sophisticated materials handling equipment in the industry. The DART companies provide a variety of services including catalog fulfillment, transportation, third party logistics, equipment leasing and warehousing, with facilities in California, Illinois, Indiana, Colorado, Texas and Georgia. In addition to the building operations, sister company DART INTERNTIONAL, operates a fleet of 1,300 trucks. Within all the affiliated companies of DART Entities, it has 750 employees. Based on the accomplishments and experience of DART Entities, the sub-recipient of the Section 108 loan funds, the City is confident that DART will implement the proposed Section 108 loan funded project successfully. Dedeaux Properties is a subsidiary of DART Entities, and it will be the end recipient of the Section 108 loan funds.

RATING FACTOR 2: DISTRESS/EXTENT OF THE PROBLEM

The target area exhibits substantial distress. The census tract and block groups that make up the site are those where the project is located and the ones that immediately abut the site. They are CT 2049.20, BG 2; CT 5313.02, BGs 3, 4, 5, 6 and 7 and CT 5323.02, BG 4.

1. Distress in Project Census Tract Compared to Citywide and County

The businesses located in the City of Commerce have historically provided a significant number of jobs to not only City residents, but to individuals in the surrounding areas. In the past, the City had a significant number of well-paid manufacturing jobs. Over the years, these large employers have gone out of business or left the area, which has had a devastating economic impact on the City. In 1993, the City prepared an Economic Development Strategy and Marketing Plan. The study indicated a long-term economic decline for the City based on the reduction of its industrial sector. "In 1960, Commerce had 80,000 jobs, in 1978, it had 65,000 jobs; in 1992, it has 47,700 jobs. From 1960 to 1978, the City lost 15,000 jobs, at an annual rate of 833 jobs over 15 years. From 1978 to 1992, the City lost 17,300 jobs. This is an annual loss of 1,235 jobs. ". The impact of less employers and jobs was reflected in the 1990 census numbers.

While the City of Commerce was reflective of the State's poor economic conditions as a whole, a number of businesses continued to leave the City. During 1993 and 1994 alone, Lever Brothers (300 employees), Radisson Hotels (150 employees), Waste King (39 employees), Birch Wood (71 employees), American Metals (125 employees), Crown Zellerbach (128 employees), and International Paper (130 employees) went out of business or relocated. Pacific Tube closed down in 2001 (300 employees).

While the City of Commerce is only 6.6 square miles in size, it is located in the middle of the one of the heaviest urbanized areas in Los Angeles County. The entire City is contained within only three census tracts.

The summary information from the 2000 Census for the target area is noted below:

		Persons	Total Persons			Total	
Com		Below	in	% In	Total	Civilian	%
Cens Trac		Poverty	Category	Poverty	Civilian	Unemployed	Unemployed
CT	2049.20	171		25.1%		78	21.5%

BG 2 CT 5313.02		681		285		
BG 3	198	644	30.7%	279	13	4.5%
BG-4	449	1,660	27.0%	574	64	10.0%
BG – 5	201	927	21.7%	356	68	16.0%
BG – 6	218	972	22.4%	292	63	17.7%
BG – 7 CT 5323.02	753	2,266	33.2%	844	108	11.3%
BG 4	83	314	26.4%	79	16	16.8%
Totals	1,255	4,479	28.0%	1,571	255	14.0%
Citywide	2,223	12,404	17.9%	4,718	705	13.0%
Countywide	1,674,599	9,349,771	17.9%	4,307,762	354,347	7.6%

Based on the 2000 Census information, the poverty level for the target area was 28%, more than twice the national average of 12.38%; 17.9% citywide and 17.9% countywide. The unemployment level in the project target areas was 14%; again more than twice the national average of 5.77%; 13% for the City and 7.6% for the County. The per capita income in the target area was \$7,750 or only 36% of the national average of \$21,587. The per capita income was \$11,117 citywide and \$20,683 countywide.

The 2000 Census indicated that within the target area, 96.6% of the population was persons of Hispanic origin. This compares to 93.4% Citywide and 44.6% Countywide. Forty percent of the City's residents were foreign born, with 75% of the residents speaking Spanish, with 62% of these not speaking English, as compared to the County where only 35% of Spanish speakers are monolingual.

One of the most significant circumstances that impact the economic and social distress numbers is the level of education among the City residents. In the target area, those persons 18 years of age and over having not graduated from high school are 74.7%. This compares to the Citywide number of 54.2% and a Countywide number of 30.1%. A combination of the percentage of non-speaking English persons, coupled with the high percentage of persons who have not graduated from high school, are reflected in the high poverty and unemployment numbers.

2. Other Factors

In 1997, the Employment & Business Retention Office (EBRO), convened an Employment Task Force to address employment related issues. In 1999 they issued a Strategic Plan for Employment Taskforce Report whose findings included: "... the attraction of industries which would provide highly desirable jobs to Commerce is limited by the conditions of the buildings available to house their operations." The HUD funding will help address the precise problems identified in the Strategic Plan, by constructing new, state-of-the-art manufacturing and freezer buildings that attract the "highly desirable jobs."

3. Consolidated Plan and Analysis of Impediments to Fair Housing

The City participates in the Urban County CDBG program; therefore the CDC has the responsibility for the preparation of the Consolidated Plan and the Impediments to Fair Housing Report. As part of the submittal of this Application by the CDC on behalf of the City, the CDC will amend its Annual Action Plan as part of the Section 108 loan processing, to include the expansion of DART Entities campus project.

Some of the County's distress factors included in the Countywide Consolidated Plan are indicated above and in the previous Chart on Distress Factors. The proposed project meets key goals of programs geared towards assisting lower income persons through creation of new jobs.

While the proposed project itself will have no direct impact on fair housing, the new jobs being created will have an impact on the high unemployment numbers, and it will provide an opportunity to increase the income levels of unemployed persons including an opportunity to improve their housing conditions. With a large minority population, the City's Employment Referral Office will provide for ESL classes and other training in order to meet the tenants' employment needs. The project and related employment activities meet the above County identified policies to address some of the impediments to fair housing.

RATING FACTOR 3: SOUNDNESS OF APPROACH

1. Quality of the Plan

Despite the reoccurring trend of losing manufacturing jobs in Commerce, the City continues to support industrial projects, in particular this proposed project for its proactive approach in addressing the community needs and distress factors. Not only does it stop a good manufacturer from leaving the City, but it provides assistance for DART Entities to provide a new facility for an established Los Angeles based firm to expand in Commerce. In addition, DART Entities plans to add an additional facility in Commerce to capture some of the growing demand in the market. The proposed project will also address a few community needs by retaining jobs in the City and creating additional employment opportunities for low-and moderate-income persons.

The building being purchased ensures that the paper products manufacturer stays in Commerce with its 400 jobs. The firm is fully capable of paying the long-term lease it is entering into with DART. The new building that will be constructed will provide a new facility for a frozen foods meal solutions and seafood manufacturer. The demand for the manufacturing/freezer type buildings DART will construct for the seafood process company continues to grow, and the second new building will meet a portion of that demand.

DART is working on the predevelopment activities for the proposed project. DART is finalizing the purchase and lease back agreement with the paper products company and the lease agreement with a seafood processing company. The proposed project can be implemented without delays.

The plan meets the needs outlined in the section regarding distress in two ways. First, the project will generate 700 new jobs, while retaining an additional 400 jobs. The job generation summary is provided below:

For a City with 13% unemployment, the impact can be dramatic. The City has a labor force of 5,423 persons with 4,718 employed, based on the 2000 Census. If only 10% of the new jobs from the two new buildings go to Commerce residents the unemployment rate would drop to 11.7% or a decrease by 10%.

Second, the City is addressing the Strategy Plan issues by attracting new manufacturing businesses with jobs paying higher salaries than the minimum wage.

2. Feasible and likely to have success

There are a number of factors that favor success for the project. DART Entities already owns both development sites for the new buildings. There are no environmental conditions to deal with on the sites. The new tenant, the seafood processing company, is a strong, well-established manufacturer. The same is true with the manufacturer where DART Entities is purchasing the paper products manufacturing building and leasing it back. The sales proceeds from the sale of the building will allow the paper manufacturer to purchase new equipment in order to be more competitive in the market and secure additional contracts.

With the timely construction of the new buildings, the creation of jobs will follow quickly. The City has its own very successful Employment Center that has placed more than 10,000 persons since its inception in 1982. The Center coordinates with various agencies to provide necessary training to individuals that are unemployed, underemployed or receiving public assistance to secure employment. Special effort will be provided for the outreach, screening, training and placement of City and target area residents in the jobs to be created by the new tenants. The chart with the timeframes demonstrates how this project can be accomplished in a very short period, given the complexity of the project.

The following is the proposed project development schedule:

	<u>Start</u>	<u>Complete</u>
Agreement on sale of paper products manufacturing property	Nov 2004	Dec 2004
Construction of seafood refrigerated processing facility	Jan 2005	Oct 2005
Construction of second cold food processing facility	Nov 2005	July 2006

3. Regional Project

This submittal is not being done as a regional project.

4. Analysis of Impediments to Fair Housing Choice

The CDC, as the Urban County, has prepared the Analysis of Impediments (AI) to Fair Housing Choice. The key factor in the AI is the conclusion that "policies that promote economic development, education and fluency in English are likely to lower Latino segregation more rapidly than housing policies, per se". This proposed project affords the greatest opportunity for Latinos to secure jobs. The City's Employment Referral Office has been very effective in placing Latino residents of the City into new jobs. Those factors directly address the conclusions of the AI.

5. Welfare to Work

As noted above, the City has operated an Employment & Business Development Office (EBDO) (formerly the Employment Referral Office) for 24 years. EBDO was developed as part of an UDAG the City had received from HUD. The operation and benefits were so successful, the City has retained the

operation over the years and they have placed over 10,000 persons in jobs during that time. The EBDO is linked and has access to all Workforce Investment Act (WIA) funded job-training agencies, enabling them to provide specific job development training that may be required. The linkages include working closely with the State of California Employment Development Department, the Department of Public Social Services Southeast County GAIN Program regarding participants in the Welfare-to-Work program. The EBDO and these agencies jointly conduct large job fairs in the City and surrounding County area. The City also participates with the Rio Hondo Community College in employment training programs. The City's commitment letter addresses the efforts of the EBDO and the coordination it will facilitate. In the near future, the EBDO and the Small Business Development Center (SBDC) office, currently located within the City, will be located in one facility to facilitate access to their services.

As of FY 2002, the City began funding with CDBG funds the Employment and Business Development Computer Program, which provides computer training classes and facilitates specialized training upon request from various companies. The training is provided to unemployed City and County residents. The computer facility includes 20 computers with software to assist with resumes, as well as, Internet resources for job searches.

To ensure that DART, the existing business to be purchased and the two new businesses meet their employment needs, the City will require them to have language in all of their leases and sales agreements requiring that they work with EBDO for their hiring needs. This process will assist the City in maintaining the required supporting documentation for job creation and retention.

In addition to the services provided by EBDO, the City also provides citywide free bus services for City residents and operates a child daycare facility in which at least 60% of the program participants are City residents. Transportation and childcare are two of the major factors that have a substantial impact on Welfare to Work program participants. These services are available to City residents participating in the program including City residents employed by the tenants of this EDI assisted project.

RATING FACTOR 4: LEVERAGING RESOURCES/FINANCIAL NEED

1. Leveraging Section 108 Funds

The Sources and Uses Summary provides the details of the uses for \$10,000,000 million in Section 108 funds and the \$1 million of EDI funds.

The funds to repay the Section 108 loan will come from the lease proceeds DART Entities will receive from the tenants. The projected lease payments from the three tenants totals \$2,406,000 annually, substantially greater than the annual debt service on the Section 108 loan, currently estimated at \$908,000 annually. The funds used to partially purchase the paper products building will result in income immediately, but the new building must be constructed and occupied before income will be received. For that reason, the \$1 million of EDI funds will be used to pay a substantial portion of the interest during the first two years. The Section 108 loan will be structured as interest only during the first two years, with the principal repaid over the remaining 18 years of the 20-year term.

With the Section 108 loan of \$10,000,000 and the EDI grant of \$1 million, the leveraging ratio is 10 to 1.

- 2. Financial Feasibility
- a. Project costs and financial feasibility

The developer of the project has provided the City with development and operating proformas. The proformas have been evaluated by City staff and by outside economic development consultants. The evaluation has examined all the hard and soft costs in the development proforma and determined to be consistent with industry standards. Those costs to be funded privately are summarized as follows:

The new construction for the 72,000 square foot seafood processing building is as follows. The construction costs for the second refrigerated building are projected to be the same as those for the seafood process company.

Seafood Processing Building Development Proforma

Development Proforma			
	Sq. Ft	Cost	Total
Land Cost	144,000	\$ 15.14	\$ 2,180,484
Building Costs	72,000	\$ 78.12	\$ 5,624,500
Soft Costs			\$ 1,170,747
Developer Fee, Costs & Fees			\$ 897,573
Total Project Costs			\$ 9,873,304
Less Equity (land contribution)			\$ 2,180,484
Amount to be financed			\$ 7,692,820
Section 108 Loan			\$ 5,000,000
Conventional Financing			\$ 2,692,820
Operating Proforma			
Net Operating Income	72,000	\$ 11.39	\$ 820,000
Debt Service - Section 108			
18 years 6% (.0910 constant))		\$ 455,000
Conventional Debt Service			
25 years 9% (.1007 constant)			\$ 271,167
Total Debt Service			\$ 726,167
Net Income			\$ 93,833
Project Economics			
Return on cost			8.31%
Cash on cash return on equity			4.30%
Value at 8.5 cap			\$ 9,647,059
Loan to Value			0.80
Debt Coverage Ratio			1.13
Building Purchase and Lease I Development Proforma	Back		
-	Sq. Ft.	Cost	Total
Land and Building Purchase	175,000	\$ 35.71	\$ 6,250,000
Total Project Costs	,		\$ 6,250,000
			* *

Less Equity - cash contribution Amount to be financed Section 108 Loan				\$ \$ \$	1,250,000 5,000,000 5,000,000
Operating Proforma					
Net Operating Income Debt Service - Section 108 18 years 6% (.0910 constant) Total Debt Service Net Income	175,000	\$	4.08	\$ \$ \$	714,000 455,000 455,000 259,000
Project Economics Return on Costs Cash on cash return on equity Value at 9 cap Loan to Value Debt Coverage Ratio Second Build to Suit Building				11.4 20.7 \$	
Development Proforma	Sq. Ft	Co	va t	Tot	·al
	Sq. Ft	Cu	ısı	100	ai
Land Cost	90,000	\$	18.89	\$	1,700,000
Building Costs Relocation Soft Costs Developer Fee, Costs & Fees Total Project Costs Less Equity Amount to be financed	72,000	\$	78.12	\$ \$ \$ \$ \$ \$ \$ \$	5,624,500 500,000 1,170,747 897,573 9,892,820 1,978,564 7,914,256
Operating Proforma					
Net Operating Income Conventional Debt Service 25 years 9% (.1007 constant) Net Income	72,000	\$	13.50	\$ \$ \$	972,000 796,966 175,034
Project Economics Return on cost Cash on cash return on equity Value at 8.5 cap Loan to Value Debt Coverage Ratio				9.83 8.85 \$	

The proforma shows that the project is feasible in terms of the loan to value and debt coverage ratio. For the two new developments, with a credit tenant, we have used the 8.5 capitalization rate. For the purchase, as the building is not new, but also has a credit tenant, we have used a 9 capitalization rate.

Clearly, another element of feasibility is whether there are tenants for the project. Both the key tenants for this project are committed, and DART Entities is in discussions with other food processors for the second build-to-suit building. The construction of the second building will commence as soon as the building for the seafood processing company is completed. With credit tenants, DART's equity and debt financing, the project becomes very feasible.

b. Amount of debt service reserve

The developer's proforma has two project components. For the building purchase and lease back, no debt service reserve is necessary, since the lease goes into effect at the time escrow closes on the purchase transaction. For the new building to be constructed, the EDI grant funds will provide interest payments during the construction period and the first year of operations.

c. Credit enhancement paid by EDI funds

The EDI funds are being used to pay the interest in the early years, including the construction period, not as a credit enhancement vehicle.

d. Program income from the project

Lease income will be used to repay the Section 108 loan.

e. Interest rate to third parties

The Section 108 funds will be loaned to DART Entities at the same rate to the City. The Section 108 loan funds will be drawn down using the interim financing mechanism, which is subject to the 3-month LIBOR rate plus 20 basis points. As soon as a public offering is available, the City will obtain fixed rates through HUD's public offering of notes.

f. Underwriting

The developer also provided the operating proforma for the two project components. The tenants of the activities will pay all taxes, insurance and maintenance on the building, so the rent does equate to the net operating income. The rents and costs were evaluated and found to be consistent with similar projects in Southern California. The City has reviewed the project proforma and had its staff underwrite the loan to insure feasibility, debt service capacity and rate of return. This careful and detailed underwriting is consistent with HUD's guidelines for underwriting economic development projects. Based on the marketplace in Southern California and the risk associated with the project, it has been determined that the appropriate return on cost for this project is 10% to 11%. The return on cost compares the total project costs against the net operating income (NOI), which is the income before debt service.

The operating proforma provided the building purchase and lease back has an 11.4% return on cost and the cash on cash return on the equity is 20.7%. The loan to value (LTV) is 63% and the debt

coverage ratio (DCR) is 1.57. The economics of that project are market rate. DART Entities took an aggressive approach with the new building for the seafood manufacturer. The return on cost is 8.31%. The return on equity is low at 4.3%, but that is based on the land contributed, and it is owned free and clear, so the return on equity is not as important as where cash needs to be invested. The LTV is 80% and the DCR is 1.13. Given the credit tenant and the long-term lease, those economics are reasonable in the marketplace. The second build to suit development will achieve slightly higher rents than the initial building for the seafood manufacturer. The return on cost is projected at 9.83% and the cash on cash return at 8.85%. The loan to value is a strong 69% and the debt coverage ratio is 1.22.

3. Leverage Other Financial Resources

The Section 108 and EDI funds will be leveraged with other private resources. DART Entities will be contributing approximately \$2.1 million in land, \$3.3 million in cash and an estimated \$10.6 million in financing. With a total of other leveraged resources of \$16 million and the EDI funds of \$1 million, the leveraging ratio is 16 to 1.

The commitment letters from the various parties are provided as attachments. The letters include the following:

Commitment letter from the City
Commitment letter from DART Entities
Letter of interest from DART Entities' lender (U.S. Bank and Wells Fargo)
Letter from the City Employment Referral Office

RATING FACTOR 5: COMPREHENSIVE AND COORDINATED

1. Coordination of the Proposed Activities

The City and Redevelopment Agency of Commerce determined in 1992 to develop an Economic Strategy and Marketing Plan for the City. Many agencies, interest groups and citizens participated in the development of each study or planning effort. The City was determined to have a plan for implementation as the State began to emerge from the recession. At the same time, the Redevelopment Agency recognized the importance of retaining and providing new buildings for manufacturers. The activities in this application require and are the result of, a comprehensive and coordinated process. This project was coordinated to ensure that all of the involved project partners (DART, City, CDC, and City's EBDO) are ready to proceed with the project upon receiving the grant and loan funds. It is anticipated that this project will proceed on a timely basis given the level of coordination with all project partners.

2. Linkages

With an unemployment rate twice the national average, a key linkage is the mechanism that secures jobs for Commerce residents, particularly those that are unemployed, underemployed, and receiving public assistance. The City's EBDO has, for 24 years, been very effective in linking Commerce residents with employment opportunities. The EBDO is linked to all Workforce Investment Act funded job-training agencies, enabling them to provide specific job development training that may be required. They also work closely with the State of California Employment Development Department. The Department of Public Social Services Southeast GAIN Program provides Welfare to Work funds to the

EBDO as part of their involvement in the job placement program in Commerce. A requirement of the developer will be that tenants utilize the EBDO as part of their hiring programs at the Commerce Industrial Center in order to fill jobs with low-and moderate-income persons (Public Benefit Standards under 570.209). The EBDO will also be able to provide assistance with job training, as needed for the development.

While the Southern California Association of Governments is the Council of Governments (COG) that covers all of Southern California, the City is also a participant in Gateway Cities Council of Governments, which is a regional COG that includes 27 cities. The COG established Gateway Cities Partnership to define the regional agenda, to support the growth of industry and business, and to facilitate city and business collaboration. In its role as the regional economic collaborative for the represented cities, the Partnership has identified specific strategies to increase the number of jobs in the region. This project is desirable in the region, as it will increase the number of employment opportunities for the area.

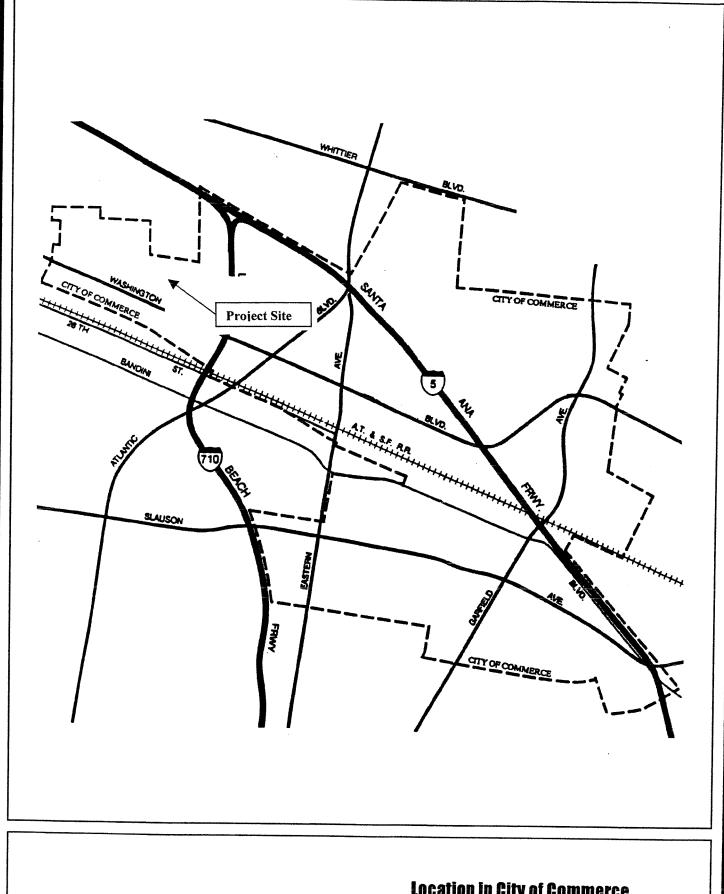
Attachment B

Section 108 Repayment Schedule

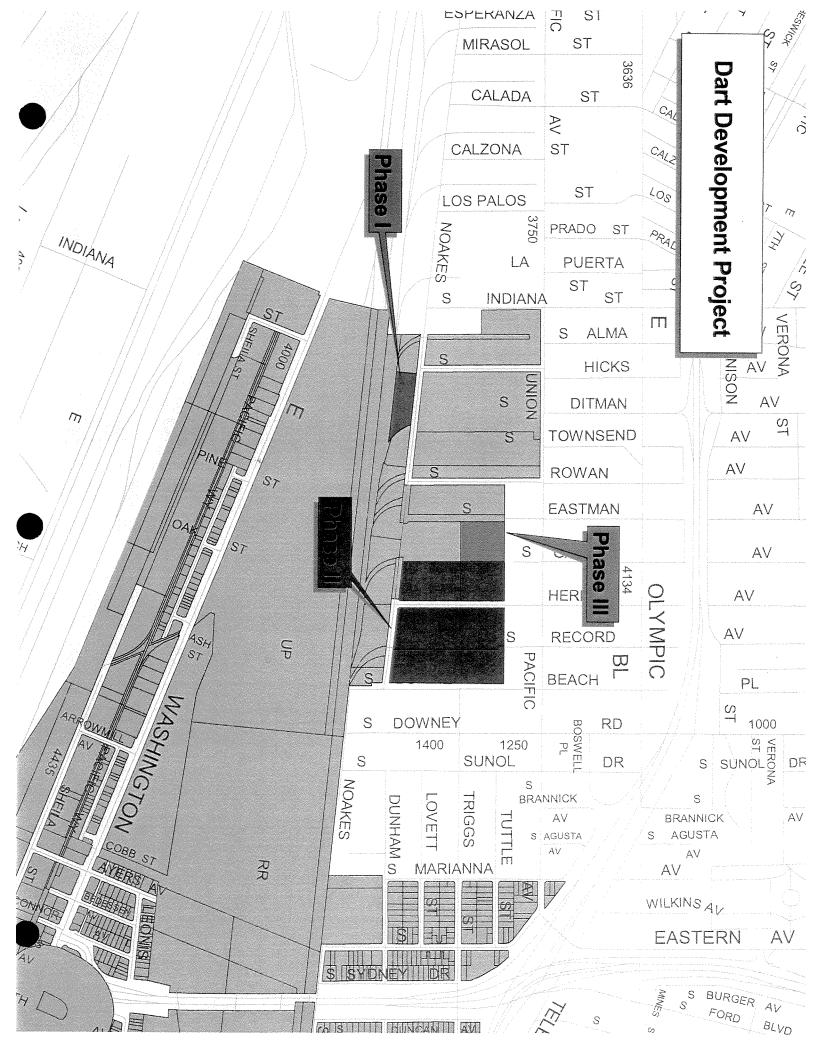
	A	T	В		C		D		E	Г	F		G
1	CITY OF COMMERCE/L	os A	ANGELES C	OU	NTY CDC								
2	SECTION 108 REPAYM												
3	commerce108repay3	1											
4	October 14,2004	T	***************************************										***************************************
5		1											
6	Drawdown Assumption	ıs											
7	December 1,2004		10,000,000										
8	HUD Fees	\$	150,000	(\$5	per draw o	wob	n event)						
9	CDC Fee	\$	102,525		of Loan Am					 			~~~~ ~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~
10	Total Fees	\$	252,525										
11	Total		10,252,525										
12													
13	Repayment Assumption	ns											
	Interest only first two yea												
15	Principal amortization o		8 vears (CD	C in	terest assur	npti	ion)				6.00%		
16	Interim Interest based on							sis	points		2.00%	İ	
17	Assumed Public Offering							<u> </u>		Au	gust 1,2005		
18													
19	Section 108 Repaymer	nt											
20										†			
21			August		August	F	ebruary	Fi	scal Year	 			
22			Principal		Interest	}	nterest		Total		Ending		
	Fiscal Year		Payment		Payment Payment Payments			Balance	<u> </u>	EDI			
24		·											
	2004-05 (Payment of Fed	es)				\$	252,525	\$	252,525			\$	252,525
	2004-05 (Interim Paymer		eb & Mav)			\$	84,000	\$	84,000	\$	10,000,000	\$	84,000
	2005-06	Ť		\$	50,000	\$	300,000	\$	350,000	\$	10,000,000	\$	350,000
28	2006-07			\$	300,000	\$	300,000	\$	600,000	\$	10,000,000	\$	313,475
	2007-08	\$	318,000	\$	300,000	\$	290,460	\$	908,460	\$	9,682,000		
30	2008-09	\$	338,000	\$	290,460	\$	280,320	\$	908,780	\$	9,344,000		···
31	2009-10	\$	358,000	\$	280,320	\$	269,580	\$	907,900	\$	8,986,000		
32	2010-11	\$	381,000	\$	269,580	\$	258,150	\$	908,730	\$	8,605,000		
	2011-12	\$	404,000	\$	258,150	\$	246,030	\$	908,180	\$	8,201,000		
	2012-13	\$	429,000	\$	246,030	\$	233,160	\$	908,190	\$	7,772,000		#100 BOO DO TO AN AND AND BOOM AND
	2013-14	\$	456,000	\$	233,160	\$	219,480	····	908,640	\$	7,316,000		***************************************
·	2014-15	\$	484,000	\$	219,480	 	204,960		908,440	\$	6,832,000		
	2015-16	\$	514,000	\$	204,960	\$	189,540		908,500	\$	6,318,000		
	2016-17	\$	546,000	\$	189,540	\$	173,160	\$	908,700	\$	5,772,000		
	2017-18	\$	579,000	\$	173,160	\$	155,790		907,950	\$	5,193,000		
	2018-19	\$	615,000	\$	155,790	\$	137,340	\$	908,130	\$	4,578,000		
-	2019-20	\$	653,000	\$	137,340	\$	117,750	\$	908,090	\$	3,925,000		
	2020-21	\$	694,000	\$	117,750	\$	96,930	\$	908,680	\$	3,231,000		
	2021-22	\$	737,000	\$	96,930	\$	74,820	\$	908,750	\$	2,494,000		***************************************
	2022-23	\$	782,000	\$	74,820	\$	51,360	\$	908,180	\$	1,712,000		
	2023-24	\$	831,000	\$	51,360	\$	26,430	\$	908,790	\$	881,000		
	2024-25	\$	881,000	\$	26,430	\$		\$	907,430	\$			
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-	Total	\$	10,000,000	\$	3,675,260	\$:	3,961,785	\$ 1	7,637,045			\$ 1	1,000,000
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Attachment C

Project Location Maps



Location in City of Commerce



Attachment D

Sources & Uses Schedule

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	ant Initiative (ED) and Section 108	Funds	THE RESERVE OF THE PARTY OF THE		THE PROPERTY CONTRACTOR CONTRACTO			
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Attachment E

Resolutions

RESOLUTION NO. 04-30

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COMMERCE,
AUTHORIZING THE SUBMITTAL OF AN AMENDED ECONOMIC DEVELOPMENT
INITIATIVE GRANT AND SECTION 108 LOAN GUARANTEE TO THE UNITED STATES
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT THROUGH THE LOS ANGELES
COUNTY COMMUNITY DEVELOPMENT COMMISSION

WHEREAS, the City of Commerce has determined that a high priority exists for the development of the Commerce Industrial Center; and

WHEREAS, the City of Commerce, a municipal corporation within the State of California, possess legal authority to apply for Federal Assistance under the Housing and Community Development Act of 1974, as amended; and

WHEREAS, the City has entered into a Cooperation Agreement with the County of Los Angeles to join the Urban County for purposes including applying for Community Development Block Grant funds; and

NOW, THEREFORE, be it resolved by the City Council of the City of Commerce as follows:

<u>SECTION 1.</u> As part of the financing plan for the Commerce Industrial Center Project, the City approves submitting an amended Economic Development Initiative Grant and Section 108 Loan Guarantee Applications to the United States Department of Housing and Urban Development through the County of Los Angeles Community Development Commission to assist in funding the construction of said project.

<u>SECTION 2.</u> As prerequisites for submission of the application to HUD, the City certifies that it has:

- (a) Furnished citizens with information required by Section 570.704(a) (2)(i) of Title 1 of the Housing and Community Development Act of 1974, as amended;
- (b) Held at least one public hearing to obtain the views of citizens on community development and housing needs; and
- (c) Prepared an application in accordance with Section 570.704(a)(1)(iv) of Title 1 of The Housing and Community Development Act of 1974, as amended, and made the application available to the public.

<u>SECTION 3.</u> The City has and will continue to follow a detailed citizen participation plan that meets the requirements described in Section 570.704(a)(2) of Title 1 of the Housing and Community Development Act of 1974, as amended.

<u>SECTION 4.</u> The City has and will continue to affirmatively further fair housing, and the guaranteed loan funds will be administered in compliance with:

- (a) Title VI of the Civil Rights Act of 1964 (Public Law 88-352, 42 U.S.C. 2000d et seq.); and
 - (b) The Fair Housing Act (42 U.S.C. 3601-20).

SECTION 5. Will expend in the aggregate, at least 70 percent of all CDBG funds, as defined in Section 570.303 of Title 1 of The Housing and Community Development Act of 1974, as amended, during the one, two, or three consecutive years specified by the City of its CDBG program on activities which benefit low/moderate income persons, as described in criteria in Section 570.208(a) of the Act.

SECTION 6. The City has and will continue to comply with the requirements governing displacement, relocation, real property acquisition, and the replacement of low and moderate income housing described in Section 570.606.

<u>SECTION 7.</u> The City has and will continue to comply with other provisions of the Act and with the applicable laws.

<u>SECTION 8.</u> The City has and will continue to Certify regarding debarment, suspension, and other responsibility as follows:

- (a) The prospective recipients of the Section 108 Loan Guarantee funds and all of their contractors will certify to the best of their knowledge and belief, that they:
- Are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded from covered transaction by and Federal department or agency;
- 2) Have not within a three year period preceding approval of their application, been convicted of or had a civil judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (Federal, State or local) transaction or contract under a public transaction; violation of Federal or State antitrust statues or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property;
- (3) Are not presently indicted for or otherwise criminally or civilly charged by a government entity (Federal, State or local) with commission of any of the offenses enumerated in paragraph (a)2 of this certification; and
- (4) Have not within a three year period preceding approval of their application, had one or more public transactions (Federal, State or local) terminated for cause or default.

SECTION 9. The City hereby assures and certifies with respect to its application for a loan guarantee pursuant to Section 108 of the Housing and Community Development Act of 1974, as amended, that it has made efforts to obtain financing for the activities described herein without the use of such guarantee, that it will maintain documentation of such efforts for the term of the loan guarantee, and that it cannot complete such financing consistent with the timely execution of the program plans without such guarantee.

 $\underline{\textbf{SECTION 10.}} \textbf{The City has and will continue to hereby certify, to the best of its knowledge and belief, the following:}$

- (a) No Federal appropriated funds have been paid or will be paid, by or on behalf of it, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any or cooperative agreement, and the extension, continuation, renewal amendment, or modification of any Federal contract, grant, loan or cooperative agreement.
- (b) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or any employee of grant, loan or cooperative agreement, it will complete and submit Standard Form LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions; and
- (c) It will require that the language of paragraph (a) of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

SECTION II. Continue to maintain a drug-free workplace by:

- (a) Publishing a statement notifying employees that the unlawful manufacture, dispensing, possession, or use of a controlled substance is prohibited in the grantee's workplace and specifying the actions that will be taken against employees for violation of such prohibition;
- (b) Establishing an ongoing drug-free awareness program to inform employees about the following:
 - The dangers of drug abuse in the workplace;
 - 2) The grantee's policy of maintaining a drug-free workplace;

- 3) Any available drug counseling, rehabilitation, and employee assistance programs; and
- 4) The penalties that may be imposed upon for drug abuse violations occurring in the workplace.
- (c) Making it a requirement that each employee engaged in grant activity be given a copy of the statement required by paragraph (a).
- (d) Notifying the employee in the statement required by paragraph (a) that, as a condition of employment under the grant, the employee will:
 - 1) Abide by the terms of the statement; and
- Notify the employer in writing of his or her conviction for a violation of a criminal drug statute occurring in the workplace no later than five calendar days after such conviction.
- (e) Notifying the agency in writing, within ten calendar days after receiving notice under subparagraph (d)2 from an employee or otherwise receiving actual notice of such conviction. Employers of convicted employees must provide notice, including position and title, to every grant officer or other designee on whose grant activity the convicted employee was working unless the Federal agency has designated a central point for the receipt of such notices. Notice shall include the identification number(s) of each affected grant.
- (f) Taking one of the following actions, within 30 calendar days of receiving notice under paragraph (d)2, with respect to any employee who is so convicted:
- 1) Taking appropriate personnel action against such employee, up to and including termination, consistent with the requirements of the Rehabilitation Act of 1973, as amended, and any other applicable federal and state laws; and
- (2) In appropriate circumstances, require an employee to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purpose by a Federal, State or local health, law enforcement, or other appropriate agency.
- (g) Making a good faith effort to continue to maintain a drug-free workplace thorough implementation of paragraphs (a), (b), (c), (d), (e), and (f).

<u>SECTION 12.</u> The City Administrator of the City is hereby designated and directed as the authorized representative of the City to act in connection with the applications to execute documents, certifications, applications and to provide such additional information as may be required.

SECTION 13. This Resolution shall be effective immediately upon its adoption.

PASSED, APPROVED AND ADOPTED this _6+h day of _July ____, 2004

Ray "Gordy" Cisheros, Mayor

ATTEST

Linda Kay Olivieri, MMC

City Clerk

Reso EDI Grant 108 Loan

Attachment F *Proof of Publication*

Proof of Publication

Nos Angeles Times

STATE OF CALIFORNIA County of Los Angeles

I am a citizen of the United States, and a resident of the county aforesaid; I am over the age of eighteen years; and I am not a party to or interested in the notice published. I am the chief legal advertising clerk of the publisher of the LOS ANGELES TIMES, a newspaper of general circulation, printed and published daily in the City of Los Angeles, County of Los Angeles. The LOS ANGELES TIMES has been adjudged a newspaper of general circulation by the Superior Court of the County of Los Angeles, State of California, under the date of May 21, 1952, Case No. 598,599. The notice, of which the annexed is a printed copy, has been published in each regular and entire issue of said newspaper and not in any supplement thereof on the following dates, to-wit:

October 6

all in the year 2004

I certify (or declare) under penalty of perjury that the foregoing is true and correct

Dated at Los Angeles, California, this

6th day of October

Signature

732928

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PUBLIC NOTICE
County of Los Angeles
and City of Commerce
Section 108
Loan Application
The public is hereby notified
of the County of Los
Angeles' intent to submit a
Section 108 Loan Guarantee or the County of Los Angeles intent to submit a Section 108 Loan Guarantee Application to the U.S. Department of Housing and Urban Development (HUD). The loan application, in the amount of approximately \$10 million, will be submitted in partnership with the City of Commerce, a city participating in the Los Angeles Urban County Community Development Block Grant (CDBG) Program. Approximately \$10,000,000 in Section 108 Ioan funds will be used to finance the development and expansion of industrial space within the Commerce Industrial Center, located at and adjacent to 4000 Noakes Street and an additional site bordered by Bonnie Beach Place and Gage Street and Noakes Street. The loan funds will be used for eligible activities including: land acquisition, construction, underwriting and issuance fees. The proposed project will provide approximately 319,000 square feet of industrial, manufacturing distribution and retention for residents of the Los Angeles County.

A copy of the Section 108

residents of the Los Angeles County.
A copy of the Section 108 Loan Guarantee Application is available for public review during normal business hours at the address listed hours at the address listed below. Questions or comments concerning the application can be forwarded to Linda Jenkins at (323) 890-7168. Written comments should be submitted no later than October 22, 2004 to the address listed below. Community Development Commission of the Los Angeles County

Commission of the
Los Angeles County
CDBG Division
2 Coral Circle
Monterey Park, CA 91745
Attn: Linda Jenkins,
Manager
Si usted quiere hacer un
comentario o quiere mas
informacion sobre esta
noticia, usted puede llamar
a Elisa Vasquez ai numero
(323) 890-7159.

(323) 890-7159.
For information on programs administered by the Community Development Commission, you may log on to our web site at www.lacdc.org.

City of Commerce	
2535 Commerce Way	: .
Commerce, CA 90040	i ·
State of California,)
County of Los Angeles	in and the state of the state o
Yamileth Varas County and State being duly sworn, says: That he is and at all times herein mention citizen of the United States, over 21 years of a a party to nor interested in the above entitled to he is a principal clerk of the printers and public LOS ANGELES TIMES a newspaper p published daily in the said Los Angeles County	ge, and not matter; that ishers of the rinted and
Legal Notice in the above entitled matter of which the ar printed copy, was published in said newspaper LOS ANGELES TIMES 202 West First ST. Los Angeles, C	
on the following days, to-wit:	
June 23, 2004	
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y. Va.	
Subscribed and sworn to before	
me, this day of	
- July 204	,
Notary Public in and for the County of Los Angeles State of	of California

Affidavit of Publication

--of---

Classified Advertising

JOINT 14 DAY PUBLIC NOTICE AND NOTICE OF PUBLIC HEARING

CITY OF COMMERCE AND COUNTY OF LOS ANGELES
INTENT TO SUDMIT AN AMENDED ECONOMIC DEVELOPMENT
INITIATIVE (EDI) GRANT AND SECTION 108 LOAN GUARANTEE
APPLICATIONS TO THE U.S DEPARTMENT OF HOUSING
AND URBAN DEVELOPMENT (HUD)

Notice is hereby given that on Tuesday, July 6, 2004 at 7:00 p.m. or as soon thereafter as possible in the City Council Chambers, 5655 Jillson Street, the City Council will conduct a public hearing and consider the approval of one (1) amended Economic Development (EDI) Grant application for \$1,000,000 and one (1) Section 108 Loan Guarantee Application for \$10,000,000, for submission to HUD. The purpose is to give the public an opportunity to comment on the Amended Economic Development Initiative Grant Application and Section 108 Loan Guarantee Application. The Amended EDI Grant totaling \$10,000,000 and Section 108 totaling \$10,000,000 applications are being submitted in partnership between the City of Commerce and the County of Los Angeles In the Los Angeles Urban County Community Development Block Grant (CDBG) Program. The grant and loan funds will be used for the development and expansion of the Industrial Center, located at and adjacent to 4000 Noakes Street and another site bordered by Bonnie Beach Place and Gage Street and Union Pacific Avenue and Noakes Street. The proposed project will provide for approximately 319,000 square feet of industrial, manufacturing, distribution, and warehousing uses, as well as, job creation and retention for residents of the City of Commerce and Los Angeles County.

A copy of the draft Amended Economic Development Initiative (EDI) Grant and Section 108 Loan Guarantee applications are available for public review at the City of Commerce at the address below. Questions or comments concerning the applications can be forwarded to Mary Lanier at (714) 541-4585 extension 2341 or (323) 722-4805, extension 2330. Susted quiere hacer un comentario o quiere mas informacis'an sobre esta noticia, usted puede llamar a Heriserto Valdez al numero (323) 722-4805 ex. 2213. Written comment should be submitted by July 6, 2004 at 5:00 p.m. to:

Mrs. Mary Lanier City of Commerce 2535 Commerce Way Commerce, CA 90040

> Linda Kay Olivieri, MMC City Clerk

Publish: Los Angeles Times





City of Commerce

Rosalina G. Lopez Mayor

Hugo A. Argumedo Mayor Pro Tem

Jesus M. Cervantes Councilmember

Ray "Gordy" Cisneros Councilmember

Nancy M. Ramos Councilmember

Thomas Sykes City Administrator September 8, 2004

Mr. Scott Stevenson
Manager
CDBG Division
Community Development Commission
County of Los Angeles
2 Coral Circle
Monterey Park, CA 91755

Dear Mr. Stevenson:

The City of Commerce is committed to retaining and expanding our industrial base that has declined over the past several decades. DART Entities, a long time business located in the City, is proposing three component projects that will retain one existing business and construct two new buildings that will bring in two additional new businesses. The project will allow an existing paper products manufacturing business to remain in the City and expand through a purchase lease/back program. The second and third project components will be the construction of two 72,000 square foot food processing facilities. The project will retain four hundred (400) jobs and generate an estimated seven hundred (700) new jobs.

In order to bring all this about, the City, through the Los Angeles County Community Development Commission (CDC), is applying for \$10 million in Section 108 loan funds and \$1 million in amended Economic Development Initiative (EDI) grant funds for use in this project.

The City will loan the Section 108 funds to the project developer for use in property acquisition and construction for the project. The developer will be responsible for the repayment of the Section 108. The County will retain the EDI funds that will go towards the early years interest repayments on the Section 108 loan.

The City is also committed to using its Employment and Business Development Office (EBDO) services for the project. They will work with the existing and new tenants to meet their employment needs. EBDO has a long history of providing outreach, training and job placement for both City and surrounding area residents.

2535 Commerce Way Commerce, CA 90040 Phone:323•722•4805 Fax:323•888•6841 Letter to Mr. Scott Stevenson, Manager Los Angeles Community Development Commission September 8, 2004 Page 2 of 2

The CDC's approval and HUD's funding for this project are critical to our efforts to retain and expand our industrial base and to retain and generate new employment opportunities.

Thank you for your assistance in facilitating the City of Commerce Section 108 and Economic Development Initiative Grant applications. If you have any questions or need additional information, please contact Ms. Mary Lanier at (949) 701-1606.

Sincerely,
Thomas Sykes

Thomas Sykes City Administrator



Rosalina G. Lopez Mayor

Hugo A. Argumedo Mayor Pro Tem

Jesus M. Cervantes Councilmember

Ray "Gordy" Cisneros Councilmember

> Nancy M. Ramos Councilmember

Thomas Sykes City Administrator

City of Commerce

September 8, 2004

Mr. Scott Stevenson, Manager
CDBG Division
Community Development Commission
County of Los Angeles
2 Coral Circle
Monterey Park, CA 91755

Dear Mr. Stevenson:

The City of Commerce Employment and Business Development Office (EBDO) will be delighted to utilize the programs we administer to better serve those that will be seeking employment at the proposed DART Entities industrial development that will be occurring in the City. The EBDO is pleased to confirm our commitment to the following program(s):

- Employment Opportunities Advertising and Outreach
- Job Fair and Employment Screening
- On-site Facility Services

Specific to the proposed industrial development, the EBDO will be working with DART Entities and related companies to assist with the above referenced programs. Through our extensive network with various agencies, including Welfare to Work, our office will coordinate the advertising of available positions. Advertising venues will include print media, direct mailing to surrounding employment agencies and schools, the City's website, and various internet search links.

The EBDO will coordinate a Job Fair (several if needed) at our facilities, which will include information on the types of jobs available, application intake, and application preparation assistance for job applicants from our trained employment specialists. On-site Facility Services will include the use of our offices for interviews and job training classes.

The EBDO currently provides a wide range of services, from job referrals and informational workshops, to job training and placement assistance. Although, the EBDO is located within the City of Commerce, it provides services to surrounding cities and the unincorporated area of Los Angeles County.

Recently, through funding from the Community Development Block Grant Program, we have expanded our services, through the purchase of computers for a Computer Training Program. Twenty computers are now available for computer training classes. When not in use for classes, the computers can be used by residents to conduct job searches.

We hope you are successful in your applications for the DART project and look forward to working with the project developer and their tenants once you receive approval of the HUD funding.

Sincerely,

Carlos Hernandez

Employment Specialist

Carlos Hemandy